

**MALVERN  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2008

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**MALVERN COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September, 2007 Election)**

Susan Stogdill	President	2009
Dale Stephens	Vice President	2007
Brenda Kroger		2009
Becky Bell		2008
Gary Hustak		2008

**(After September, 2007 Election)**

Susan Stogdill	President	2009
Dale Stephens	Vice President	2011
Brenda Kroger		2009
Becky Bell		2008
Gary Hustak		2008

**School Officials**

Curtis Barclay	Superintendent
Sue Davis	District Secretary
Darla Hetzel	District Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Malvern Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Malvern Community School District, Malvern, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

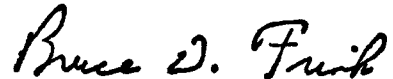
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Malvern Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 2009 on our consideration of Malvern Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Malvern Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 13, 2009

## **MALVERN COMMUNITY SCHOOL DISTRICT**

### **Management's Discussion and Analysis**

Malvern Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements which follow.

#### **2008 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$3,191,882 in fiscal year 2007 to \$3,734,428 in fiscal year 2008, while General Fund expenditures increased from \$3,200,541 in fiscal year 2007 to \$3,756,822 in fiscal year 2008. The District's General Fund balance decreased from \$395,865 in fiscal 2007 to \$356,471 in fiscal 2008, a ten percent decrease.
- Increases in tuition and state aid revenues as a result of sharing with Nishna Valley Community School District accounted for the increase in revenues.
- Enrollment decreased by 44.3 resident students in the district.
- The District's solvency ratio was 9.5% at the end of fiscal 2008. The solvency ratio is indicative of the District's ability to meet its financial obligations. This is a decrease of 3.5% from the prior year. The District's Fund Balance changed only slightly, however, the large increase in revenues skewed this year's computation. Recommended solvency ratio is commonly around 10%.
- SILO or Local Option Sales Tax was voted into Mills County in October 2003. These dollars can only be used for infrastructure projects. A total of \$210,151 was on hand at June 30, 2008.

#### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Malvern Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Malvern Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Malvern Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Sharing with Nishna Valley Community School District also accounted for the increase in expenses. While total dollars going through the financial records increased dramatically, the General Fund balance decreased only slightly.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

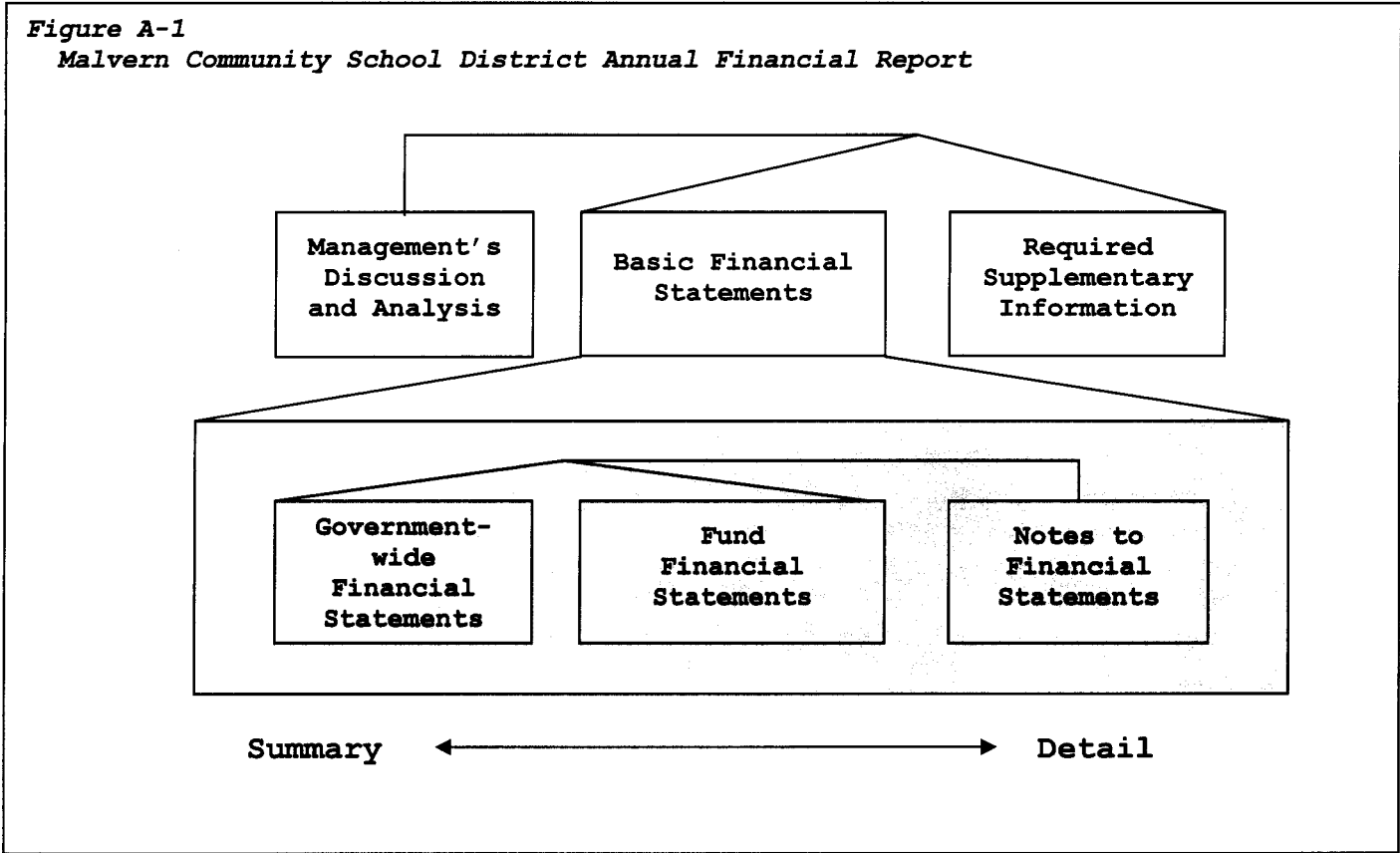


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain

<b>Figure A-2</b> <b>Major Features of the Government-wide and Fund Financial Statements</b>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services.	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Assets, a Statement of Revenues, Expenses, Changes in Net Assets and a Statement of Cash Flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - The District holds money for outside groups in a custodial capacity.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 2,917	2,521	7	6	2,924	2,527	15.71%
Capital assets	<u>1,171</u>	<u>1,116</u>	<u>2</u>	<u>3</u>	<u>1,173</u>	<u>1,119</u>	<u>4.83%</u>
<b>Total assets</b>	<u>4,088</u>	<u>3,637</u>	<u>9</u>	<u>9</u>	<u>4,097</u>	<u>3,646</u>	<u>12.37%</u>
Current liabilities	1,950	1,516	-	1	1,950	1,517	28.54%
Non-current liabilities	<u>-</u>	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>-100.00%</u>
<b>Total liabilities</b>	<u>1,950</u>	<u>1,559</u>	<u>-</u>	<u>1</u>	<u>1,950</u>	<u>1,560</u>	<u>25.00%</u>
Net Assets							
Invested in capital assets, net of related debt	1,171	1,073	2	4	1,173	1,077	8.91%
Restricted	418	449	-	-	418	449	-6.90%
Unrestricted	<u>549</u>	<u>556</u>	<u>7</u>	<u>4</u>	<u>556</u>	<u>560</u>	<u>-0.71%</u>
<b>Total net assets</b>	<u>\$ 2,138</u>	<u>2,078</u>	<u>9</u>	<u>8</u>	<u>2,147</u>	<u>2,086</u>	<u>2.92%</u>

Net assets increased by 3% primarily in capital assets. The General Fund decreased only slightly.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4								
Changes in Net Assets								
(Expressed in Thousands)								
Governmental Activities			Business type Activities		Total School District		Total Change	
2008	2007		2008	2007	2008	2007	2007-08	
Revenues:								
Program revenues:								
Charges for service and sales	\$ 550	246	59	64	609	310	96.45%	
Operating grants, contributions and restricted interest	708	611	74	75	782	686	13.99%	
General revenues:								
Property tax	1,255	1,333	-	-	1,255	1,333	-5.85%	
Income surtax	232	159	-	-	232	159	45.91%	
Local option sales tax	197	212	-	-	197	212	-7.08%	
Unrestricted state grants	1,324	1,230	-	-	1,324	1,230	7.64%	
Unrestricted investment earnings	17	18	-	-	17	18	-5.56%	
Other	<u>6</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>5</u>	<u>20.00%</u>	
Total revenues	<u>4,289</u>	<u>3,814</u>	<u>133</u>	<u>139</u>	<u>4,422</u>	<u>3,953</u>	<u>11.86%</u>	
Program expenses:								
Governmental activities:								
Instruction	2,713	2,165	-	-	2,713	2,165	25.31%	
Support Services	1,098	1,020	-	-	1,098	1,020	7.65%	
Non-instructional programs	17	5	133	141	150	146	2.74%	
Other expenses	<u>403</u>	<u>276</u>	<u>-</u>	<u>-</u>	<u>403</u>	<u>276</u>	<u>46.01%</u>	
Total expenses	<u>4,231</u>	<u>3,466</u>	<u>133</u>	<u>141</u>	<u>4,364</u>	<u>3,607</u>	<u>20.99%</u>	
Change in net assets	\$ 58	348	-	(2)	58	346	-83.24%	

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily related to instruction and support services, which account for 87% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$4,288,896 and expenses were \$4,230,561.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services and other expenses, for the year ended June 30, 2008 compared to the year June 30, 2007.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 2,713	2,165	25.31%	1,605	1,482	8.30%
Support Services	1,098	1,020	7.65%	1,068	963	10.90%
Noninstructional programs	17	5	100.00%	17	5	100.00%
Other expenses	<u>403</u>	<u>276</u>	<u>46.01%</u>	<u>282</u>	<u>158</u>	<u>78.48%</u>
Totals	<u>\$ 4,231</u>	<u>3,466</u>	<u>22.07%</u>	<u>2,972</u>	<u>2,608</u>	<u>13.96%</u>

- The cost financed by users of the District's programs was \$550,138.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$425,632.
- The net cost of governmental activities was financed with \$1,254,481 in property tax, \$1,324,117 in state foundation aid, and \$17,336 in interest income.

## Proprietary-Type Funds

Revenues for the District's School Nutrition Fund were \$132,951 and expenses were \$132,898. The revenues include charges for services, contributions, and federal and state reimbursements. The General Fund transferred \$17,000 to the School Nutrition Fund to help it maintain a positive balance.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Malvern Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported a combined fund balance of \$790,438, which is 9% less than last year's ending fund balance of \$863,958.

## Governmental Fund Highlights

Several factors contributed to the increase in the fund balance in the District's governmental funds. Some of these factors were unexpected; some were deliberately planned.

- Tuition and state aid revenues increased primarily from sharing with Nishna Valley Community School District.
- Expenses also increased as a result of sharing.
- The General Fund balance decreased slightly in fiscal year 2008.
- The school infrastructure sales taxes have been collected since January, 2004. This aids the school in infrastructure projects.

## **Proprietary Fund Highlights**

School Nutrition Fund net assets stayed steady in fiscal year 2008. However, the General Fund had to transfer \$17,000 to accomplish this.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

It is the District's practice, as is in most Iowa school district, to budget expenditures at or about the maximum authorized spending. As a result, the District's certified budget should always exceed the actual expenditures for the year.

Actual revenue was greater than budgeted amounts primarily due to sharing program revenues. State and federal aid revenues fell short of anticipated amounts.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The District has invested more than \$1.1 million, net of accumulated depreciation, by the end of fiscal year 2008 in a broad range of capital assets, including school buildings, athletic facilities, kitchen, computers and audio-visual equipment, maintenance equipment, school buses and other vehicles, library holdings, and textbooks. The District made improvements and updated equipment at all facilities during the year. Total depreciation expenses for the year exceeded \$112,000.

### **Long-Term Debt**

In 2005, the District borrowed \$127,770 for the purpose of constructing a new playground. The last payment on this debt was made in fiscal year 2008.

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The District will need to monitor payroll expenses as they account for the vast majority of the budget.
- Alternative sources must be found due to funding inconsistencies on the parts of the federal and state governments.
- The District will continue to be required to comply with unfunded and under funded mandates from the federal and state governments such as the Federal No Child Left Behind Act and the state Student Achievement and Teacher Quality Initiative. This will require the District to find ways to provide services in the areas of assessment and professional development, which will divert funds from other student service areas.
- Enrollment increases and decreases will play a large part in determining the District's finances on an year to year basis. The legislature needs to ensure adequate allowable growth to properly fund education.
- The District has entered into a whole grade sharing agreement with the Nishna Valley Community School District. This is providing our students with more academic course offerings as well as cost savings opportunities. The agreement appears to be on its way to being a successful arrangement.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darla Hetzel, District Business Manager, Malvern Community School District, 1505 East 15<sup>th</sup> St, Malvern, IA 51551.

## **Basic Financial Statements**

## MALVERN COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,084,854	1,834	1,086,688
Receivables:			
Property tax:			
Current year	17,218	-	17,218
Succeeding year	1,424,829	-	1,424,829
Income surtax - succeeding year	176,492	-	176,492
Due from other governments	205,594	-	205,594
Other receivables	8,436	328	8,764
Inventories	-	4,973	4,973
Capital assets, net of accumulated depreciation	1,170,618	1,916	1,172,534
<b>Total assets</b>	<u>4,088,041</u>	<u>9,051</u>	<u>4,097,092</u>
<b>Liabilities</b>			
Accounts payable	272,120	-	272,120
Accrued payroll and benefits	253,544	404	253,948
Deferred revenue:			
Succeeding year property tax	1,424,829	-	1,424,829
<b>Total liabilities</b>	<u>1,950,493</u>	<u>404</u>	<u>1,950,897</u>
<b>Net assets</b>			
Invested in capital assets, net of related debt	1,170,618	1,916	1,172,534
Restricted for:			
Management levy	106,870	-	106,870
Physical plant and equipment levy	101,147	-	101,147
Capital projects	210,151	-	210,151
Unrestricted	548,762	6,731	555,493
<b>Total net assets</b>	<u>\$ 2,137,548</u>	<u>8,647</u>	<u>2,146,195</u>

See notes to financial statements.



## MALVERN COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction:	\$ 2,712,744	537,869	570,135	(1,604,740)	-	(1,604,740)
Support services:						
Student services	64,570	-	-	(64,570)	-	(64,570)
Instructional staff services	97,616	-	-	(97,616)	-	(97,616)
Administration services	429,760	-	-	(429,760)	-	(429,760)
Operation and maintenance of plant services	334,022	-	18,244	(315,778)	-	(315,778)
Transportation services	172,337	12,269	-	(160,068)	-	(160,068)
	1,098,305	12,269	18,244	(1,067,792)	-	(1,067,792)
Noninstructional programs						
Food service operations	17,000	-	-	(17,000)	-	(17,000)
Other expenditures:						
AEA flowthrough	117,776	-	117,776	-	-	-
Long term debt interest	1,749	-	-	(1,749)	-	(1,749)
Facilities acquisition and construction	172,156	-	2,055	(170,101)	-	(170,101)
Depreciation (unallocated)*	110,831	-	-	(110,831)	-	(110,831)
	402,512	-	119,831	(282,681)	-	(282,681)
Total governmental activities	4,230,561	550,138	708,210	(2,972,213)	-	(2,972,213)

**MALVERN COMMUNITY SCHOOL DISTRICT**

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition services	132,898	59,436	73,515	-	53	53
Total	<u>\$ 4,363,459</u>	<u>609,574</u>	<u>781,725</u>	<u>(2,972,213)</u>	<u>53</u>	<u>(2,972,160)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,152,604	-	1,152,604
Management levy				29,949	-	29,949
Capital outlay				71,928	-	71,928
Income surtax						
General purposes				123,938	-	123,938
Capital outlay				108,046	-	108,046
Local option sales taxes				196,670	-	196,670
Unrestricted state grants				1,324,117	-	1,324,117
Unrestricted investment earnings				17,336	-	17,336
Other				5,960	-	5,960
Total general revenues				<u>3,030,548</u>	<u>-</u>	<u>3,030,548</u>
Change in net assets				58,335	53	58,388
Net assets beginning of year				2,079,213	8,594	2,087,807
Net assets end of year				<u>\$ 2,137,548</u>	<u>8,647</u>	<u>2,146,195</u>

\* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See notes to financial statements.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds

June 30, 2008

	<b>Assets</b>					<b>Liabilities and Fund Balance</b>				
	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Total				
Cash and pooled investments	\$ 684,721	19,478	100,659	162,684	117,312	1,084,854				
Receivables:										
Property tax:										
Current year	15,801	-	411	1,006	-	17,218				
Succeeding year	1,303,979	-	30,000	90,850	-	1,424,829				
Income surtax - succeeding year	95,000	-	-	81,492	-	176,492				
Due from other governments	95,114	-	-	-	110,480	205,594				
Other receivables	2,109	11	6,316	-	-	8,436				
<b>Total assets</b>	<b>\$ 2,196,724</b>	<b>19,489</b>	<b>137,386</b>	<b>336,032</b>	<b>227,792</b>	<b>2,917,423</b>				
Liabilities:										
Accounts payable	\$ 187,730	3,690	516	62,543	17,641	272,120				
Accrued payroll and benefits	253,544	-	-	-	-	253,544				
Deferred revenue:										
Succeeding year property tax	1,303,979	-	30,000	90,850	-	1,424,829				
Succeeding year income surtax	95,000	-	-	81,492	-	176,492				
Total liabilities	1,840,253	3,690	30,516	234,885	17,641	2,126,985				
Fund balances:										
Reserved for capital projects	-	-	-	-	210,151	210,151				
Unreserved	356,471	15,799	106,870	101,147	-	580,287				
Total fund balances	356,471	15,799	106,870	101,147	210,151	790,438				
<b>Total liabilities and fund balances</b>	<b>\$ 2,196,724</b>	<b>19,489</b>	<b>137,386</b>	<b>336,032</b>	<b>227,792</b>	<b>2,917,423</b>				

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2008

<b>Total fund balances of governmental funds (Exhibit C)</b>	\$ 790,438
<b><i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i></b>	
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	176,492
Capital assets used in governmental activities are not assets in the governmental funds.	<u>1,170,618</u>
<b>Net assets of governmental activities (Exhibit A)</b>	<u><u>\$ 2,137,548</u></u>

See notes to financial statements.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 1,256,047	-	29,949	164,595	196,670	-	1,647,261
Tuition	544,632	-	-	-	-	-	544,632
Other	66,287	108,134	14,702	3,479	2,055	-	194,657
State sources	1,741,643	-	18	45	-	-	1,741,706
Federal sources	125,819	-	-	-	-	-	125,819
Total revenues	3,734,428	108,134	44,669	168,119	198,725	-	4,254,075
Expenditures:							
Current:							
Instruction:	2,581,861	111,255	19,628	-	-	-	2,712,744
Support services:							
Student services	64,570	-	-	-	-	-	64,570
Instructional staff services	100,394	-	-	23,501	13,362	-	137,257
Administration services	428,800	-	960	-	-	-	429,760
Operation and maintenance of plant services	298,619	-	35,403	-	-	-	334,022
Transportation services	164,802	-	7,535	-	-	-	172,337
	1,057,185	-	43,898	23,501	13,362	-	1,137,946

**MALVERN COMMUNITY SCHOOL DISTRICT**

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2008

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
AEA flowthrough	117,776	-	-	-	-	-	117,776
Long term debt principal	-	-	-	-	-	42,590	42,590
Long term debt interest	-	-	-	-	-	1,749	1,749
Facilities acquisition and construction	-	-	-	70,520	227,270	-	297,790
	<u>117,776</u>	<u>-</u>	<u>-</u>	<u>70,520</u>	<u>227,270</u>	<u>44,339</u>	<u>459,905</u>
Total expenditures	<u>3,756,822</u>	<u>111,255</u>	<u>63,526</u>	<u>94,021</u>	<u>240,632</u>	<u>44,339</u>	<u>4,310,595</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(22,394)</u>	<u>(3,121)</u>	<u>(18,857)</u>	<u>74,098</u>	<u>(41,907)</u>	<u>(44,339)</u>	<u>(56,520)</u>
Other financing sources:							
Operating transfer in	-	-	-	-	-	44,339	44,339
Operating transfer (out)	<u>(17,000)</u>	<u>-</u>	<u>-</u>	<u>(44,339)</u>	<u>-</u>	<u>-</u>	<u>(61,339)</u>
	<u>(17,000)</u>	<u>-</u>	<u>-</u>	<u>(44,339)</u>	<u>-</u>	<u>44,339</u>	<u>(17,000)</u>
Net change in fund balance	<u>(39,394)</u>	<u>(3,121)</u>	<u>(18,857)</u>	<u>29,759</u>	<u>(41,907)</u>	<u>-</u>	<u>(73,520)</u>
Fund balances beginning of year	<u>395,865</u>	<u>18,920</u>	<u>125,727</u>	<u>71,388</u>	<u>252,058</u>	<u>-</u>	<u>863,958</u>
Fund balances end of year	<u>\$ 356,471</u>	<u>15,799</u>	<u>106,870</u>	<u>101,147</u>	<u>210,151</u>	<u>-</u>	<u>790,438</u>

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2008

**Net change in fund balances - total governmental funds (Exhibit E)** \$ (73,520)

***Amounts reported for governmental activities in the Statement of Activities  
are different because:***

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 34,821

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of depreciation expense in the year are as follows:

Capital outlays	165,275
Depreciation expense	(110,831)

Repayments of long-term liabilities use current financial resources to governmental funds, but repaying debt decreases long-term liabilities in the Statement of Net Assets.

Repayment of capital loan notes	42,590
---------------------------------	--------

**Change in net assets of governmental activities (Exhibit B)** \$ 58,335

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets  
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 59,436
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	56,740
Benefits	7,913
Services	2,494
Supplies	64,290
Depreciation	1,461
Total operating expenses	<u>132,898</u>
Operating (loss)	<u>(73,462)</u>
Non-operating revenues:	
State sources	2,136
Federal sources	54,149
Transfer from General Fund	17,000
Interest income	230
	<u>73,515</u>
Changes in net assets	53
Net assets beginning of year	<u>8,594</u>
Net assets end of year	<u>\$ 8,647</u>

See notes to financial statements.



## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 59,186
Cash payments to employees for services	(64,654)
Cash payments to suppliers for goods or services	<u>(60,478)</u>
Net cash (used in) operating activities	<u>(65,946)</u>
Cash flows from non-capital financing activities:	
State grants received	2,136
Federal grants received	<u>43,897</u>
Net cash provided by non-capital financing activities	<u>46,033</u>
Cash flows from capital financing activities:	
Acquisition of capital assets	(555)
Transfer from General Fund	<u>17,000</u>
	<u>16,445</u>
Cash flows from investing activities:	
Interest on investments	<u>230</u>
Net increase in cash and cash equivalents	(3,238)
Cash and cash equivalents beginning of year	<u>5,072</u>
Cash and cash equivalents end of year	<u>\$ 1,834</u>
<b>Reconciliation of operating (loss) to net cash used in operating activities:</b>	
Operating (loss)	\$ (73,462)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	1,461
Commodities used	10,252
(Increase) in other receivables	(250)
(Increase) in inventory	(3,946)
(Decrease) in accrued payroll and benefits	<u>(1)</u>
	<u>\$ (65,946)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2008, the District received federal commodities valued at \$10,089.

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts	Agency Funds
	Chantry Bequest	
<b>Assets</b>		
Cash and pooled investments	\$ 2,563	4,535
<b>Liabilities</b>		
Other payables	-	4,535
<b>Net Assets</b>		
Reserved for special purposes	\$ 2,563	-

See notes to financial statements.

## MALVERN COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds

Year ended June 30, 2008

	Private Purpose Trusts
	<u>Chantry Bequest</u>
Additions:	
Local sources:	
Miscellaneous	\$ 34
Total additions	<u>34</u>
Deductions:	
Support services:	
Scholarships	<u>-</u>
Total deductions	<u>-</u>
Change in net assets	34
Net assets beginning of year	<u>2,563</u>
Net assets end of year	<u>\$ 2,597</u>

See notes to financial statements.

# MALVERN COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2008

### (1) Summary of Significant Accounting Policies

Malvern Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the City of Malvern, Iowa, and agricultural area in Mills County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Malvern Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Malvern Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Mills County Assessor Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy is used to account for the purchase of equipment and the repairing, remodeling and construction of buildings and land improvements.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. the District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used for scholarship payments.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents - The cash balances of most District funds are invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures did not exceed the amounts budgeted in any of the four functions.

### (2) **Cash and Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2008.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 30,000	-	-	30,000
Capital assets being depreciated:				
Land improvements	274,684	-	-	274,684
Buildings	1,609,094	-	-	1,609,094
Furniture and equipment	1,109,488	165,275	-	1,274,763
Total capital assets being depreciated	2,993,266	165,275	-	3,158,541
Less accumulated depreciation for:				
Land improvements	105,405	9,556	-	114,961
Buildings	950,755	32,182	-	982,937
Furniture and equipment	850,932	69,093	-	920,025
Total accumulated depreciation	1,907,092	110,831	-	2,017,923
Total capital assets being depreciated, net	1,086,174	54,444	-	1,140,618
Governmental activities, capital assets, net	\$ 1,116,174	54,444	-	1,170,618



	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	16,973	555	-	17,528
Less accumulated depreciation	<u>14,151</u>	<u>1,461</u>	<u>-</u>	<u>15,612</u>
Business type activities capital assets, net	<u>\$ 2,822</u>	<u>(906)</u>	<u>-</u>	<u>1,916</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 110,831

Business Type activities:

Food service operations \$ 1,461

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll for the year ended June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$102,760, \$104,560, and \$100,604 respectively, equal to the required contributions for each year.

#### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$117,776 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the financial statements.

#### (6) Risk Management

Malvern Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### (7) Long Term Debt

In June 2005 the District borrowed \$127,770 for the purchase of new playground materials. The loan will be repaid in three equal payments of \$42,590 principal plus applicable interest annually beginning in June 2006. The annual interest rate is 4.1071%. This debt was fully retired in fiscal year 2008.

#### (8) Interfund Transfers

The detail of Interfund transfers for the year June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
School Nutrition	General Fund	\$17,000

**(9) Whole Grade Sharing**

The District agreed to a whole grade sharing agreement with the Nishna Valley Community School District beginning with the 2007-2008 school year. Students in grades 5-8 attend Nishna Valley Community School District and grades 9-12 attend Malvern Community School District. The schools are known as East Mills Middle School and East Mills High School.

## **Required Supplementary Information**

**MALVERN COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,386,550	59,666	2,446,216	1,961,168	1,961,168	485,048
State sources	1,741,706	2,136	1,743,842	1,837,914	1,837,914	(94,072)
Federal sources	125,819	54,149	179,968	386,190	386,190	(206,222)
Total revenues	<u>4,254,075</u>	<u>115,951</u>	<u>4,370,026</u>	<u>4,185,272</u>	<u>4,185,272</u>	<u>184,754</u>
Expenditures:						
Instruction	2,712,744	-	2,712,744	2,841,909	2,841,909	129,165
Support services	1,137,946	-	1,137,946	1,380,787	1,380,787	242,841
Non-instructional programs	-	132,898	132,898	182,104	182,104	49,206
Other expenditures	459,905	-	459,905	615,538	615,538	155,633
Total expenditures	<u>4,310,595</u>	<u>132,898</u>	<u>4,443,493</u>	<u>5,020,338</u>	<u>5,020,338</u>	<u>576,845</u>
Excess (deficiency) of revenues over (under) expenditures	(56,520)	(16,947)	(73,467)	(835,066)	(835,066)	761,599
Other financing sources (uses)	<u>(17,000)</u>	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(73,520)	53	(73,467)	(835,066)	(835,066)	761,599
Balance beginning of year	863,958	8,594	872,552	898,364	898,364	(25,812)
Balance end of year	<u>\$ 790,438</u>	<u>8,647</u>	<u>799,085</u>	<u>63,298</u>	<u>63,298</u>	<u>735,787</u>

See accompanying independent auditor's report.

## **MALVERN COMMUNITY SCHOOL DISTRICT**

### **Notes to Required Supplementary Information - Budgetary Reporting**

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## MALVERN COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 542	108	233	417
Vocal Music	129	45	174	-
Instrumental Music	38	-	18	20
Athletics	(3,062)	44,621	46,508	(4,949)
National Honor Society	136	1,282	936	482
Speech Club	144	91	-	235
Dance Team	-	58	-	58
Annual	3,908	3,362	3,708	3,562
Art Club	438	149	283	304
Concessions	5,498	18,018	21,154	2,362
Panther Den	523	140	(1)	664
Cheerleading	169	2,040	779	1,430
FCCLA	814	6,185	6,383	616
HOSA	-	8,483	8,436	47
Library Club	217	-	-	217
Weight Club	204	-	-	204
Class of 2007	224	-	(254)	478
Class of 2008	2,784	2,865	2,722	2,927
Class of 2009	1,797	7,533	7,178	2,152
Class of 2010	326	1,446	82	1,690
Class of 2006	215	-	-	215
Class of 2011	465	319	-	784
Class of 2012	160	-	-	160
Music Revolving	-	168	53	115
Revolving	1,187	2,959	4,146	-
Shop	40	-	-	40
Student Council	87	465	428	124
Chantry Activity	1,208	4,897	5,731	374
Chantry Library	(165)	2,462	2,240	57
Chantry Reading	894	438	318	1,014
Totals	\$ 18,920	108,134	111,255	15,799

See accompanying independent auditor's report.

## MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities  
Agency Fund

Year ended June 30, 2008

Account	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Education Services	\$ 2,536	-	1,700	836
Picture Commissions	62	-	-	62
HS Employees	1,773	147	474	1,446
Outdoor Classroom	386	-	386	-
Cash for Schools	8,194	1,934	8,942	1,186
Costello Music Award	1,005	-	-	1,005
	<u>\$ 13,956</u>	<u>2,081</u>	<u>11,502</u>	<u>4,535</u>

See accompanying independent auditor's report.



## MALVERN COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,647,261	1,628,061	1,376,113	1,194,922	1,250,232
Tuition	544,632	222,137	136,444	213,692	226,804
Other	194,657	168,238	134,396	121,193	139,890
State sources	1,741,706	1,594,802	1,746,407	1,613,886	1,593,423
Federal sources	125,819	124,286	308,270	190,316	134,211
Total	<u>4,254,075</u>	<u>3,737,524</u>	<u>3,701,630</u>	<u>3,334,009</u>	<u>3,344,560</u>
Expenditures:					
Instruction	2,712,744	2,164,686	2,127,764	2,233,970	2,052,031
Support services:					
Student services	64,570	74,833	68,597	45,733	25,108
Instructional staff	137,257	116,660	119,236	77,231	34,013
Administration	429,760	409,828	407,527	388,657	384,915
Operation and maintenance of plant	334,022	317,858	330,047	355,409	292,777
Transportation	172,337	184,978	206,629	158,796	135,273
Non-instructional programs					
Food service operations	17,000	5,000	-	-	117,642
Other expenditures:					
Facilities acquisition	297,790	271,382	423,123	25,625	39,526
Debt service:					
Principal	42,590	42,590	42,590	-	-
Interest and services	1,749	3,498	5,248	-	-
AEA flowthrough	117,776	116,080	111,172	109,615	111,479
Total	<u>\$ 4,327,595</u>	<u>3,707,393</u>	<u>3,841,933</u>	<u>3,395,036</u>	<u>3,192,764</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of  
Malvern Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Malvern Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Malvern Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Malvern Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Malvern Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Malvern Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Malvern Community School District's financial statements that is more than inconsequential will not be prevented or detected by Malvern Community School District's internal control. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Malvern Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above, item 08-I-A, is a material weakness.

#### Compliance and Other Matters

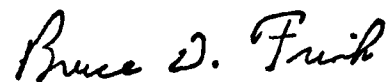
As part of obtaining reasonable assurance about whether Malvern Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Malvern Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Malvern Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Malvern Community School District and other parties to whom Malvern Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Malvern Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 13, 2009

**MALVERN COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2008

**Part I: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY:**

08-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

**Part II: Other Findings Related to Required Statutory Reporting:**

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008, did not exceed the certified budget amounts in any of the four functions.

08-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

08-II-E Business Transactions - No business transactions between the District and District officials or employees were noted.

08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

**MALVERN COMMUNITY SCHOOL DISTRICT**

Schedule of Findings

Year ended June 30, 2008

**Part II: Other Findings Related to Required Statutory Reporting:**

**(continued):**

- 08-II-H      Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- 08-II-I      Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 08-II-J      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.